

## Message Text

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ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-08 TRSE-00 SSO-00 SS-15  
FRB-03 L-03 COME-00 CIAE-00 INR-10 NSAE-00 INRE-00  
NSCE-00 /056 W  
-----015305 302022Z /66  
O 301742Z MAY 78  
FM AMEMBASSY BELGRADE  
TO SECSTATE WASHDC NIACT IMMEDIATE 6772

LIMITED OFFICIAL USE SECTION 1 OF 2 BELGRADE 4112

DEPARTMENT PASS EXIMBANK

E.O. 11652: N/A  
TAGS: EFIN, EGEN, YO  
SUBJECT: EXIMBANK OPERATING ARRANGEMENTS

REF: STATE 135930

1. EMBOFFS MET TODAY WITH ASSISTANT FINANCE SECRETARY STOJILJKOVIC TO INFORM HIM THAT WE CONSIDER EXIMBANK OPERATING ARRANGEMENTS WITH YUGOSLAVIA TO CONSTITUTE SINGLE PACKAGE AND THAT NO DOCUMENTS SHOULD BE SIGNED UNLESS AND UNTIL ALL THREE CAN BE SIGNED AT THE SAME TIME. ME. STEFANOVIC OF THE ASSOCIATION OF YUGOSLAV BANKS SAT IN ON THE MEETING. EMBOFFS MET LATER WITH PETAR ILIC OF JUGOBANKA TO TRANSMIT SAME INFORMATION AND DISCUSS PROBLEM OF ANNEX A.

2. STOJILJKOVIC EXPRESSED ANGER AT WHAT HE CALLED LAST-MINUTE CONDITIONS LAID DOWN BY EXIMBANK AND SAID EXIM HAD NOT MADE CLEAR THAT ALL THREE DOCUMENTS HAD TO BE CONCLUDED AT SAME TIME. WE REPLIED THAT IN OUR VIEW IT HAS BEEN CLEAR THAT THREE ELEMENTS CONSTITUTE ONE PACKAGE AND THAT OPERATING AGREEMENT WITH YUGOSLAV BANKS, INCLUDING FURNISHING OF INFORMATION SPECIFIED IN ANNEX A, IS ESSENTIAL PART OF OVERALL AGREEMENT  
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ON OPERATING ARRANGEMENTS. STOJILJKOVIC ASKED AGAIN WHETHER HE UNDERSTOOD CORRECTLY THAT IF OPERATING AGREEMENT WITH BANKS COULD NOT BE SIGNED DURING MOORE VISIT THEN NEITHER EXCHANGE OF LETTERS BETWEEN MOORE AND KOSTIC NOR PROVISION OF NATIONAL BANK LETTER SHOULD BE UNDERTAKEN AND ECON COUNS CONFIRMED THAT THIS WAS CORRECT.

3. STEFANOVIC SAID THAT WORKING GROUP OF YUGOSLAV BANKS HAD BEGUN MEETING THIS MORNING ON URGENT BASIS TO CONSIDER OPERATING AGREEMENT AND APPROACH TO ANNEX A. HE INDICATED THAT YUGOSLAVS CONSIDERED ANNEX A AS "ORIENTATION" REGARDING FURNISHING OF INFORMATION AND NOT "DEFINITIVE". HE POINTED OUT THAT SOME OF INFORMATION NEEDS SPECIFIED IN ANNEX A CANNOT BE MET SINCE, IN ONE CASE, THERE IS NO FOUNDERS' FUND AND HENCE NO DISTRIBUTION TO FOUNDERS AND, IN ANOTHER, YUGOSLAV BANKS DO NOT BREAK DOWN LENDING BY MATURITIES INTO YEARLY PERIODS SPECIFIED UNDER POINT THREE OF ANNEX. STEFANOVIC EMPHASIZED THAT YUGOSLAV UNDERSTANDING WAS THAT EVERY EFFORT WOULD BE MADE TO OBTAIN APPROVAL FROM ALL PARTICIPATING BANKS OF OPERATING AGREEMENT INCLUDING ANNEX A, BUT THAT WORKING GROUP WOULD DEVELOP A PROCEDURE FOR FURNISHING INFORMATION IN ANNEX A USING DRAFT ANNEX AS BASIS. HE REITERATED THAT DUE TO TIME PRESSURE AND NECESSITY OF CONTACTING 12 BANKS TO OBTAIN APPROVAL FROM THEIR MANAGEMENT BOARDS, SIGNING OF OPERATING AGREEMENT WOULD BE ALMOST IMPOSSIBLE BY TIME OF MOORE VISIT TO BELGRADE.

4. IN MEETING AT JUGOBANKA, PETAR ILIC OPENED BY SAYING HE WAS SURPRISED AT EXIM REACTION TO THE WORKING GROUP CABLE SENT TO EXIM ON MAY 26. HE POINTED OUT THAT HIS PARTING WORDS TO THE DELEGATION WERE THAT THE DRAFT HAD TO BE APPROVED BY THE TECHNICAL EXPERTS AND THEN BY THE EXECUTIVE COMMITTEE IN EACH BANK. HE ADDED THAT IT IS ONLY NATURAL IN SUCH A LARGE GROUP LIMITED OFFICIAL USE

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THAT THERE WOULD BE PROBLEMS. EMBOFF MONTGOMERY ACKNOWLEDGED THAT ILIC HAD POINTED OUT APPROVAL PROCEDURES, BUT HAS HAD THE EXIM DELEGATION AND HE HAD LEFT WITH THE CLEAR IMPRESSION THAT NO PROBLEMS WERE ENVISIONED IN THIS PROCESS AND THAT THE AGREEMENT COULD BE SIGNED DURING THE MOORE VISIT.

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DEPARTMENT PASS EXIMBANK

5. ILIC THEN TURNED TO THE EXCHANGE OF CABLES BETWEEN THE BANKING ASSOCIATION AND EXIMBANK. HE SAID THAT HE WAS PUZZLED AT EXIM'S FAILURE TO ACCEPT THE BANKING ASSOCIATION SUGGESTION AS EXIM'S REPLY INCLUDED MOST OF THE ELEMENTS IN THE SUGGESTION, INCLUDING THE FORMATION OF WORKING GROUPS TO DEVELOP THE INFORMATION REQUESTED. EMBOFFS POINTED OUT THAT THERE WAS A SUBSTANTIAL DIFFERENCE BETWEEN WORKING TO PROVIDE THE INFORMATION REQUESTED IN ANNEX A AND WORKING TO PROVIDE INFORMATION, KEEPING ANNEX A IN MIND -- BUT HAVING NO OBLIGATION TO PROVIDE THE INFORMATION STIPULATED IN THE ANNEX.

6. ILIC THEN EXPLAINED THE PROBLEMS ASSOCIATED WITH ANNEX A. THESE INCLUDED THE LACK OF CLARITY ON SOME POINTS, THE USE OF OBSOLETE CONCEPTS, AND THE UNAVAILABILITY OF SOME OF THE INFORMATION UNDER THE YUGOSLAV SYSTEM. SOME BANKS, HE SAID, COULD PROVIDE THE INFORMATION RELATIVELY EASILY. OTHERS WOULD FIND IT MORE DIFFICULT AND WOULD BE UNWILLING TO PROVIDE IT. HE ADDED THAT IN ANY CASE BANKS NOT HAVING CURRENT BUSINESS WITH EXIM ARE NOT PLANNING TO PROVIDE ANY INFORMATION UNTIL THEY ACTUALLY HAVE A CONCRETE EXIM LOAN IN MIND. (NOTE: EMBOFFS HAVE A MEETING WITH THE BANKING ASSOCIATION WORKING GROUP ON MAY 31. ONE POINT WE INTEND TO EMPHASIZE IS THE LIMITED OFFICIAL USE

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CONTINUAL NATURE OF THIS REPORTING ON ANNEX A, AS THERE SEEMS TO BE SOME FEELING ON THE YUGOSLAVS' PART THAT THE INFORMATION WAS TO BE SUPPLIED AS PART OF A LOAN APPLICATION AND NOT CONTINUALLY.)

7. IN CLOSING ILIC PROMISED TO WORK CLOSELY WITH THE EMBASSY IN ACHIEVING A SOLUTION TO THE PROBLEM. HE CONFIRMED STEFANOVIC'S STATEMENT THAT THE WORKING GROUP WAS NOW PREPARING A RESPONSE TO THE EXIM TELEGRAM. AS NOTED ABOVE, EMBOFFS ARE SCHEDULED TO MEET WITH A WORKING GROUP OF THE COMMERCIAL BANKS ON MAY 31 TO DISCUSS THE PROBLEMS WITH ANNEX A FURTHER.

8. COMMENT: IT IS APPARENT THAT YUGOSLAV BANK NEGOTIATORS WENT FURTHER DURING ALBRIGHT VISIT THAN PARTICIPATING BANKS ARE NOW PREPARED TO GO REGARDING PROVISION

OF INFORMATION OUTLINED IN ANNEX A. TWO IMPORTANT  
AREAS OF DISAGREEMENT ARE APPARENT. FIRST IS WHETHER ANNEX A  
AS SET FORTH IN DRAFT OPERATING AGREEMENT REPRESENTS  
DEFINITIVE STATEMENT OF WHAT INFORMATION IS TO BE SUPPLIED  
OR REPRESENTS ONLY GENERAL GUIDELINE OR "INDICATION" OF WHAT  
INFORMATION SHOULD BE FURNISHED. SECOND IS WHETHER  
INFORMATION SPECIFIED IN ANNEX A IS TO BE SUPPLIED BY ALL  
SIGNATORY BANKS ON REGULAR SEMI-ANNUAL BASIS IRRESPECTIVE  
OF THEIR UNDERTAKING NEW LOAN OBLIGATIONS OR WHETHER INFORMATION  
IS ONLY TO BE FURNISHED WHEN EXIMBANK DISCUSSES NEW LOAN WITH  
A PARTICULAR BANK. WE BELIEVE WE MUST STICK WITH PRINCIPLE  
THAT UNLESS ALL THREE ELEMENTS OF PACKAGE CAN BE CONCLUDED AT  
SAME TIME NO DOCUMENTS SHOULD BE SIGNED DURING MOORE VISIT.  
AT THE SAME TIME, WE HAVE EMPHASIZED HERE OUR DESIRE TO REACH  
AGREEMENT IF AT ALL POSSIBLE ON OPERATING AGREEMENT TO ENABLE IT,  
EXCHANGE OF LETTERS AND NATIONAL BANK LETTER TO GO  
FORWARD DURING MOORE VISIT. WE ALSO URGED WORKING GROUP TO  
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MAKE EVERY EFFORT TO FIND SOLUTION, INCLUDING POSSIBLE  
COMPROMISE LANGUAGE IN ANNEX A THAT EXIMBANK MIGHT BE ABLE  
TO APPROVE. OUTLINE OF PROGRAM FOR MOORE VISIT WILL BE SENT  
SEPTTEL.  
EAGLEBURGER

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## Message Attributes

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